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233

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday August 25, 1976

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State Department review completed



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**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Wednesday August 25, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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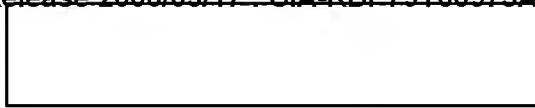
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LEBANON: Situation Report

25X1 [ ] Negotiations are still going forward in an effort to arrange a Palestinian withdrawal from the Mount Lebanon area and an end to indiscriminate shelling in Beirut.

25X1 [ ] The leftist radio announced yesterday that an agreement to stop the shelling had been reached through the commander of the Arab League peacekeeping forces, General Muhammad Ghunaym. Several previous agreements were ignored by the combatants; we have seen no word from the Christian side, and have no information on the leaders or groups supposedly subscribing to the latest accord. Shelling did ease slightly in Beirut yesterday.

25X1 [ ] After a meeting with Christian extremist Camille Shamun, Ghunaym announced that a meeting of representatives of all sides will be held on Friday to take up a new cease-fire formula prepared by the peacekeeping forces. Earlier Christian proposals, brokered by Ghunaym, were flatly rejected by leftist leader Kamal Jumblatt.

25X1 [ ] A Lebanese newspaper has reported that Syrian Foreign Minister Khaddam, at a meeting with Palestinian representatives in Damascus, has put forward a number of demands. These include:

- Palestinian withdrawal from Mount Lebanon.
- An end to propaganda attacks against Syria.
- Participation of pro-Syrian leftists in negotiations.

25X1

--Formation of a four-party committee that could supervise a cease-fire.

25X1

[REDACTED]  
[REDACTED] The Palestinians refused to withdraw from the mountains east of Beirut without additional concessions. They declared that they had already stopped propaganda attacks against Syria, that the Syrian-Palestinian agreement of July 29 did not provide for participation by pro-Syrian leftists, and that Syria--not the Palestinians--has obstructed the convening of a four-party meeting.

[REDACTED] Syria would welcome a unilateral Palestinian withdrawal from leftist strongholds in the Mount Lebanon area. A major Christian offensive there--presumably with Syrian support--might coincide with an eventual Arab League summit meeting. In that case, it might goad Arab leaders into adopting resolutions that would handicap Syrian operations in Lebanon.

[REDACTED] Eight of the necessary 11 countries have officially notified the Arab League of their willingness to attend a summit to discuss Lebanon and several other members have announced that they support the move. Lebanon agreed yesterday. No date or place is likely to be announced before the Arab League foreign ministers meet on September 4 to prepare an agenda.

[REDACTED] The leftist radio reported yesterday that major Christian attacks on two positions in leftist-held West Beirut--one in the commercial center and another on the confrontation line dividing the city--were beaten back late Monday. The Christian radio has made no mention of the assaults, but did report heavy fighting along the confrontation line.

[REDACTED] There was intense artillery fire in Kfar Shima, a southern suburb east of the Beirut airport; [REDACTED]

[REDACTED] Kfar Shima has been declared a "military zone" [REDACTED]

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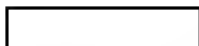


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#### KOREA: Situation Report

25X1

 The situation along the Demilitarized Zone in Korea remains quiet. No significant political or military developments have been reported.

25X1


 As of 0100 this morning, we had received no information on the meeting today of the Military Armistice Commission.

25X1

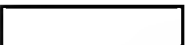


#### CYPRUS: Intercommunal Talks

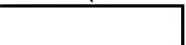
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 The division on Cyprus is becoming more rigid and the movement for a unilateral declaration of independence by the Turkish Cypriots is gaining momentum. Prospects for reviving the stalemated Cypriot intercommunal talks continue to be bleak.

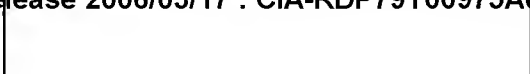
25X1

 Following their failure earlier this summer to convene another round of intercommunal talks, UN officials have sought to keep alive the dialogue by resuming humanitarian talks. They hoped that procedural and even substantive aspects of political questions might be covered in such a framework.

25X1

 The Greek Cypriots have agreed to the humanitarian talks but have refused to broaden those talks to include discussion of substantive political problems. They feel that doing so would remove the Cyprus issue from the international limelight and reduce pressure on the Turks to make concessions.

25X1







25X1

[REDACTED] The Turkish Cypriots are reluctant even to participate in humanitarian talks, which they believe would be exploited for domestic political purposes by President Makarios and used to tarnish the Turks' international image.

25X1

[REDACTED] Makarios' stinging attack against the Turks at the nonaligned conference last week dealt another setback to efforts to revive negotiations. Makarios' remarks drew a bitter rebuttal from Turkish Cypriot leader Denktash, who was denied a hearing at the conference. Denktash had hoped that the support shown for the Turkish Cypriot position at the Islamic Foreign Ministers Conference in Istanbul last spring would be reflected in Colombo, but the conference instead adopted a resolution strongly supporting the Greek Cypriots.

25X1

[REDACTED] Other complications include the continued mass exodus of Greek Cypriots from the north, as well as the potential for a flare-up along the cease-fire line. The Turkish side is laying claim to half of the neutral zone after having earlier acquiesced in Greek Cypriot use of the entire area.

25X1

[REDACTED] The preoccupation of the Greek and Turkish governments, meanwhile, with their dispute over the Aegean continental shelf has left them unable or unwilling to take any initiatives on Cyprus or to serve as a restraining influence on their Cypriot kinsmen.

25X1

[REDACTED] Left to themselves, the Greek Cypriots are likely to remain preoccupied with the parliamentary election on September 5 and with presenting their case before the UN General Assembly this fall.

25X1

[REDACTED] The Turkish Cypriots, for their part, have been buoyed by the economic recovery of their sector and once again are talking of independence for Turkish-held Cyprus, with October 29--Turkish independence day--mentioned as a possible date. Denktash's advocacy of such a move was endorsed last week by visiting Turkish Interior Minister Asilturk. Asilturk is a member of the National Salvation Party, the main advocate of Turkish Cypriot independence within the coalition government in Ankara.



[REDACTED]

25X1

[REDACTED] Turkish Prime Minister Demirel seems to be strongly opposed to Turkish Cypriot independence because it would complicate Turkey's relations with its allies and the Soviet Union, as well as with Greece. Still, an intensification of the Aegean dispute or additional setbacks in international forums could persuade Ankara to permit Denktash to declare independence.

25X1

[REDACTED] Alternatively, Denktash and Turkish supporters of Turkish Cypriot independence could exploit nationalistic fervor that might accompany a worsening of Greek-Turkish relations to take the initiative in declaring a second Turkish Republic, an action that would be difficult for Demirel to reverse. [REDACTED]

25X1

25X1

[REDACTED]

#### EGYPT: Development Fund

25X1

[REDACTED] Arab finance ministers, meeting in Cairo last week to approve the \$2-billion development fund for Egypt, also agreed to provide Cairo with balance-of-payments support this year.

25X1

[REDACTED] Egypt faces a balance-of-payments gap of at least \$1 billion in 1976. The Arab ministers agreed to treat this short-term need through a separate guarantee, but we do not know the amount.

25X1

[REDACTED] The guarantee is particularly important because OPEC money available so far this year falls short of Egypt's cash requirements. Earlier pleas for additional cash brought no results. We have no information on how much, if any, cash aid will be disbursed from the development fund.

25X1

[REDACTED] The new development fund will be used mainly to attract additional financial participation for development projects under Egypt's proposed five-year plan. Although the fund is expected to generate a far larger capital flow than the \$2 billion committed, it probably will fall short of the \$10 to \$12 billion in Arab financing that Cairo hoped to attract over the next five years. [REDACTED]

25X1

[REDACTED]

SOUTH AFRICA: Work Boycott

25X1 [ ] The work boycott in Soweto, South Africa, continued yesterday.

25X1 [ ] Worker absenteeism apparently was less than on Monday, but the US consul in Johannesburg believes the boycott will continue for a third day. [ ]

25X1

GUINEA-BISSAU - USSR: Relations Cooling

25X1 [ ] Relations between Guinea-Bissau and the USSR may be cooling, according to the US embassy in Bissau. Relations between the two countries have been close since Guinea-Bissau received independence from Portugal in September 1974. Moscow supported the ruling party's insurgency against Portugal.

25X1 [ ] According to the embassy, Soviet personnel no longer enjoy complete freedom of movement in the country, and their contacts with trade unions and youth organizations are subject to the same monitoring imposed on other foreigners in the country.

25X1 [ ] The government has also publicly expressed its dissatisfaction with the fishing agreement it signed with Moscow a year ago and is demanding that it be renegotiated.

25X1 [ ] Guinea-Bissau apparently is unhappy with the share it is getting from the Soviets' extensive fishing activities in the area. President Cabral also recently publicly accused the Soviets of maintaining too slow a pace in training local fishermen. A delegation is in Moscow discussing the fishing agreement.

25X1 [ ] There are unconfirmed reports that government leaders recently held a heated debate over the value of Guinea-Bissau - Soviet cooperation, with some charging that cooperation with Moscow benefits only the USSR. The Chinese and Egyptian embassies have been privately warning the government that the Soviets are not trustworthy.

25X1

[ ] Since Guinea-Bissau's independence, the Soviets have attempted to expand their ties through military aid deliveries, the fishing agreement, a consular convention, and the establishment of regular Aeroflot service to Bissau.

25X1

[ ] The embassy notes that there are some 300 to 400 Soviets in the country--primarily centered around the capital--indicating that the Soviets are still in a preferred position. Most Soviets are engaged in military assistance and commercial fishing activities. Moscow announced last week that a Soviet destroyer will call at Bissau later this month.

25X1

[ ] The embassy believes however, that any request by the Soviets to use Bissau's facilities for military purposes such as reconnaissance flights would not be readily granted. We have no indication that the Soviets have made such a request. [ ]

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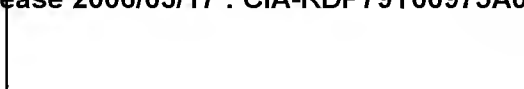
ISRAEL: West Bank Settlements

25X1

[REDACTED] The Israeli government last week forcibly turned back several attempts by the ultra right-wing Gush Emunim and other militantly conservative Jewish groups to establish a synagogue in the former Jewish quarter of Hebron on the occupied West Bank.

25X1

[REDACTED] The Gush was attempting again to dramatize its long-standing demand that Jews be allowed to settle freely on the West Bank.



25X1

[REDACTED] Although the government permitted a group of Jews to settle just outside Hebron several years ago, it has refused to let them rebuild the old Jewish quarter of the city for fear of provoking a violent reaction from the town's Arab majority.

25X1

[REDACTED] At Sunday's cabinet session, Defense Minister Peres, the cabinet official who is responsible for administering the West Bank and has long supported the Gush, strongly criticized the group's actions at Hebron. He believes they might provoke renewed anti-Israeli demonstrations in the occupied territory.

25X1

[REDACTED] This is the first time Peres has publicly criticized the Gush. His remarks probably reflect his concern for preserving order on the West Bank rather than a decision to break either with the Gush or its cabinet supporters.

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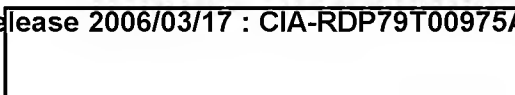
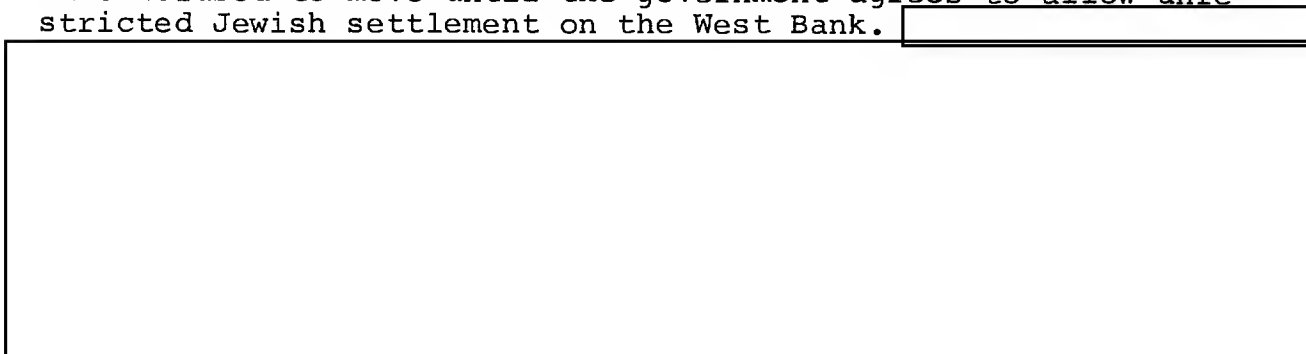
[REDACTED] The government is still wrestling with another problem created by the Gush last December. At that time, Prime Minister Rabin, to avoid a cabinet crisis, agreed to allow members of the organization bent on establishing a settlement in the Arab heartland of the northern West Bank to stay temporarily at Qadum, an army camp in the area.

25X1

[REDACTED] In May, the cabinet decided that the government alone had the authority to select settlement sites and that the Gush settlement must be moved elsewhere, preferably away from heavily Arab-populated areas. Negotiations over possible alternative sites, however, have since bogged down because the Gush settlers have refused to move until the government agrees to allow unrestricted Jewish settlement on the West Bank. [REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

25X1

[REDACTED]

25X1

FRANCE: Cabinet Shuffle

25X1

[REDACTED] French President Giscard is expected to announce a "fairly large-scale" cabinet shuffle after the cabinet's weekly meeting today.

25X1

25X1

[REDACTED]

25X1

[REDACTED] Chirac met with Giscard on Monday, but we do not know the result of these talks.

25X1

25X1

[REDACTED]



25X1

[REDACTED] There seems to be general agreement among political observers in Paris that the Prime Minister will be replaced. Speculation about a successor has not centered on any one person, although Finance Minister Fourcade is the latest favorite. Fourcade is a technocrat not associated with any party and has never run for office.

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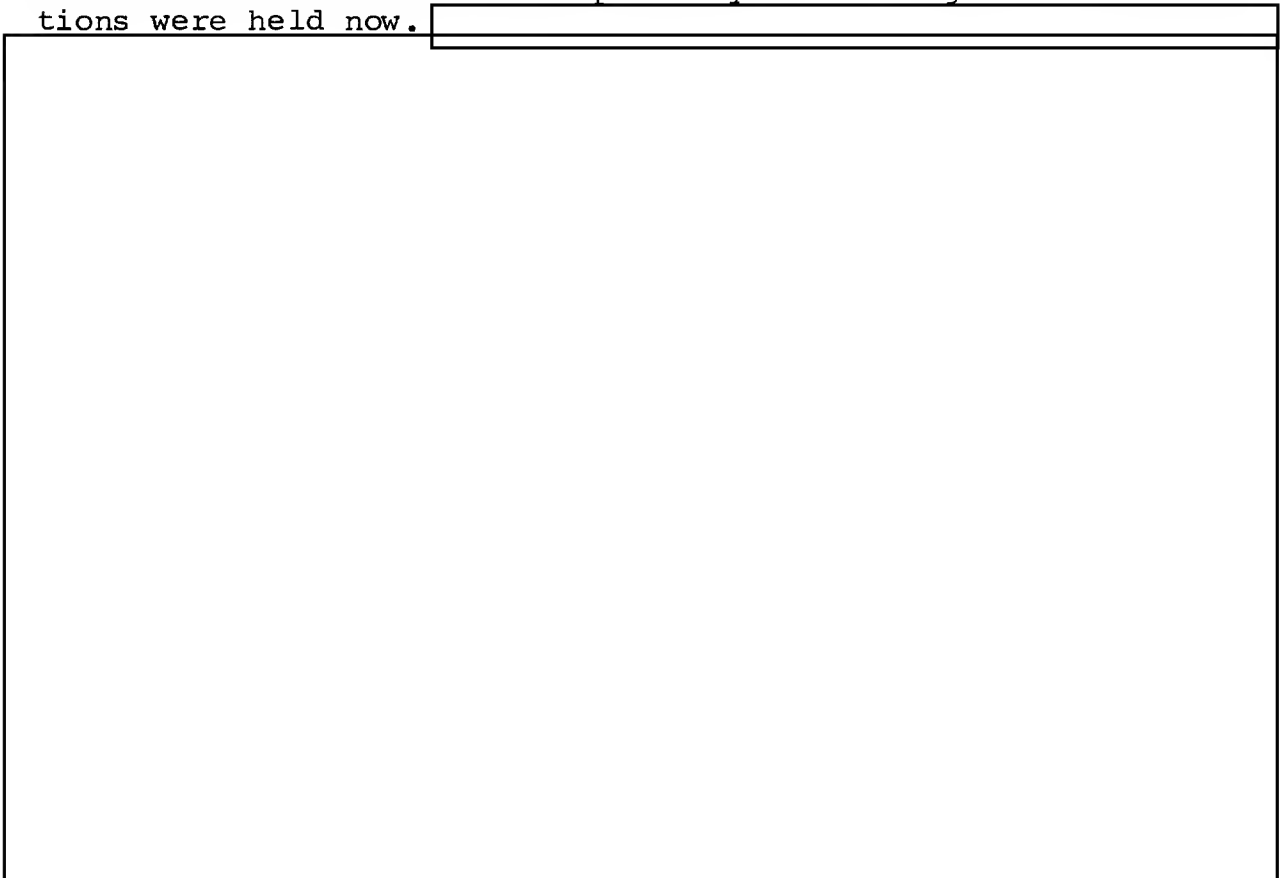
[REDACTED] The President originally chose Chirac for the post in the hope that he would revive the Gaullists and secure their support for Giscard's planned reforms and their acquiescence in an eventual center-left government. Chirac has succeeded in his first task, but has never been fully in agreement on the others.

25X1

[REDACTED] Chirac's departure will not precipitate any action by the Gaullists that could cause early elections. Like the other members of the governing coalition, the Gaullists realize that the left alliance would probably win if legislative elections were held now.

25X1

25X1



JAPAN: Pressure on Miki

[ ] A special caucus of the ruling Japanese Liberal Democratic Party yesterday deferred passing a no-confidence motion against Prime Minister Miki pending further talks today between Miki and his two leading rivals, Deputy Prime Minister Fukuda and Finance Minister Ohira.

[ ] Fukuda and Ohira hope that the prospect of a no-confidence vote--a virtual certainty if the anti-Miki forces decide to press the issue in the caucus--will induce Miki to step aside voluntarily. Fukuda and Ohira met separately with the Prime Minister last week, and held a 90-minute session with Miki yesterday. They agreed to continue talks today.

[ ] So far Miki continues to stand his ground, citing popular support for his commitment to stay on. His supporters claim he would not accept a no-confidence motion by the party caucus.

25X1 [redacted] Miki's refusal to abide by the party's action would  
leave him little room for maneuver. Most of his cabinet minis-  
25X1 ters would resign and he would face the threat of a cabinet  
crisis if he should attempt to convene the Diet later this  
month. [redacted]

MEXICO: Lopez Portillo's Approach

25X1 [redacted] President-elect Lopez Portillo is taking a hard look  
at Mexico's economic and social problems and appears to be  
planning approaches quite different from those of President  
Echeverria.

25X1 [redacted] Among the problems worrying Lopez Portillo as he pre-  
pares to assume the presidency on December 1 are growing pov-  
erty, stagnating food production, exploding population growth,  
labor unrest, and a business community alienated by the rhet-  
oric and policies of the incumbent president. We believe he  
will be likely to seek closer relations with the US in order  
to cope with these problems.

25X1 [redacted] Lopez Portillo hopes that he can cure some of Mexico's  
ills by regaining the confidence of the private sector. He  
wants to make sure that Mexico's good reputation in interna-  
tional financial circles, which has slipped somewhat under  
Echeverria, is restored. Stopping the flight of capital and  
attracting more foreign investment and tourism will be a prime  
goal.

25X1 [redacted]

25X1 [redacted] Lopez Portillo believes that the problem of food  
production can be helped by taking a more realistic stand on  
land reform. He plans to end the distribution of land to peas-  
ants, with a few exceptions. The land invasions by peasants  
that have occurred with regularity in the past year are lower-  
ing agricultural production and creating a political force op-  
posed to the government.

25X1 [ ] Lopez Portillo sees problems ahead for continued government control of the labor movement. Over the past several months, a dissident electrical workers union has been testing this control by trying to break out of the government-run labor confederation. Last month Echeverria had to use the army to prevent a nationwide strike led by the dissidents. Lopez Portillo probably expects to confront even harder tests that could put the government's long-time labor dominance in jeopardy.

25X1 [ ]

INTERNATIONAL GOLD: Price Declines

25X1

[REDACTED] The price of gold fell yesterday in London to a 32-month low of \$104.80 an ounce. Traders cited concern over the impact of the third International Monetary Fund gold auction scheduled for September 15 as the main factor in the recent decline.

25X1

[REDACTED] Gold prices began to fall following the first IMF auction on June 2 and broke sharply the day after the second auction on July 15, dropping nearly \$14 in three days to \$107.75. The decline mainly reflects the increase in gold supply as a result of the auctions, a higher level of Soviet gold sales, and an increase in production in South Africa.

25X1  
25X1

[REDACTED]  
[REDACTED] Press reports that the IMF will change bidding techniques at the next auction have spurred fears that the Fund will be forced to discount gold substantially below the market price to sell the 24 tons scheduled for auction.//

25X1

NEW ZEALAND: Labor Unrest

25X1

[REDACTED] //New Zealand has strengthened labor legislation in an effort to curb increasingly disruptive strikes, allegedly organized by the antigovernment Socialist Unity Party.//

25X1

[REDACTED] //The new legislation was rushed through Parliament on August 17. It allows employers to suspend nonstriking workers when they cannot perform their jobs because of strikes. As a partial concession to labor, the government has broadened a freeze on wages to include prices and rents.//

25X1 [ ] //Labor unrest has risen since last May when the Muldoon government initiated a one-year wage freeze designed to slow inflation--now running at a 19 percent annual rate. In protest, the unions have resorted to "rolling strikes"--alternating groups of workers refuse to work, thus stopping an industry for several days although only one day's wages are lost for any one group of workers. Disruptions have been especially serious in the transport, engineering, and pulp and paper industries.//

25X1 [ ] //The government's latest action will probably bring government-labor relations to a new low. Although labor has responded favorably to the freeze on prices and rents, it is highly critical of the new labor legislation. The radical teamsters' union has already announced plans for a nationwide strike on Sunday. [ ]

25X1

#### IRELAND: Emergency Legislation

25X1 [ ] The Irish government last night announced it will introduce new legislation designed to curb Irish Republican Army activities in the republic. The government will ask a special session of the Dail--scheduled to open August 31--to declare a state of emergency and suspend the constitution to allow the enactment of stiff new laws.

25X1 [ ] The draft emergency powers bill would give the police and military sweeping new powers of search and arrest and, among other provisions, increase the maximum penalty for membership in the IRA from 2 to 7 years. [ ]

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